

Overcapacity Could Drag On Solar For Some Time

The Associated Press

NEW YORK (AP) — Solar panel manufacturers will have a hard time boosting revenues this year with Germany cutting government incentives at a time when the market is flush with supply, industry analysts believe.

Solar shares were among the hardest hit Tuesday in the energy sector, with the largest U.S. provider, First Solar Inc., tumbling more than 8 pct.

Even after a rash of factory closures, the solar industry is on pace to expand production capacity in 2012, said Maxim Group analyst Aaron Chew. He expects the solar market will wrestle with a production overcapacity this year and next.

"We believe the global solar manufacturing industry continues to suffer from a lopsided supply/demand imbalance," he said. "We expect the stocks to remain volatile and under pressure through 2012."

That was certainly the case Tuesday. JA Solar Holdings Co. fell by 8.8 percent, LDK Solar Co. fell by 7.6 percent, Trina Solar Ltd. dropped by 7 percent, Yingli Green Energy Holding Co. was down 6.6 percent, Suntech Power Holdings Co. fell by 8.5 percent and Canadian Solar Inc. dropped by 7 percent.

Germany, the world's largest market for solar panels, will likely cut government solar incentives by as much as 35 percent in April, according to Citi analyst Timothy Arcuri. That's would be well beyond the 10 percent to 20 percent expected on Wall Street right now.

Germany pays homeowners and businesses for energy they produce using solar panels. The incentives ease the initial sting of installing new technology in homes and could drastically affect the equation for many in that country. Surplus solar modules will likely be sold off in China at a lower price, Arcuri believes.

The economic downturn has done considerable damage to the solar sector. Energy Conversion Devices Inc. announced Tuesday that it is seeking Chapter 11 bankruptcy protection in federal court in the Eastern District of Michigan. The company said it will put its solar panel unit up for sale as well. Energy Conversion's United Solar Ovonic, which is separately filing for bankruptcy relief, makes thin-film solar products for commercial rooftops.

The company said that United Solar's "current capital structure and legacy costs" have kept the company from making necessary investments.

"The processes we initiated today will afford greater opportunity for (Energy Conversion Devices) to maximize value for its stakeholders and conduct an orderly sale of (United Solar) to ensure it is viable and successful for the long-run," said

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

Julian Hawkins, president and CEO of Energy Conversion Devices.

Energy Conversion Devices shares plummeted by 81.5 percent, or \$1.19, to 27 cents per share in morning trading.

Source URL (retrieved on 11/26/2014 - 1:20am):

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